

## **COMMITTEE ON ADMINISTRATION/INFORMATION SYSTEMS**

**May 5, 2004**

**6:00 PM**

Chairman Forest called the meeting to order.

The Clerk called the roll.

Present: Aldermen Forest, Osborne, Porter, Lopez

Absent: Alderman Gatsas

Messrs: Steven Tellier, Stephan Hamilton, Tom Nichols, Guy Petell

Chairman Forest advised that the purpose of the meeting is discussion relative to the 2005 revaluation.

Chairman Forest stated the members of the Board of Assessors are here and the reason they're here is to explain to us about the reevaluation, how it goes, and answer some questions for us and maybe for the citizens of the City. Steve Tellier is here, the Board of Assessors is here and they have a presentation.

Steven Tellier, Chairman, Board of Assessors, stated what I've handed out to you is a copy of the April 2<sup>nd</sup> memo about the assessment review and valuation update process and it includes information on the ratio and on Page 17 of that document a number of questions that the City should get the answer from. What if questions; what if they City refuses to take any action and other questions that are important to the City fiscally and assessment wise. In the next portion I have the assessment review guidelines and then I have a copy of RSA 21-J:11-a and b, which the enforcement and outline provisions for the assessment review process. I have the assessing standards board rules and the pre-assessment review meeting guidelines and then I also included the schedule of communities by year, 2003, 2004, 2005, and 2006. Manchester is a 2004 town. Also what's been included for your information is a list of towns that have been ordered by the Board of Tax and Land Appeals. Now myself, Tom Nichols, and when Paul Porter was a member of the Board of Assessors, we've come to the Board of Mayor and Aldermen a number of times with update plans, proposals for a cycle review, so at this point we have Steve Hamilton; formerly working for the Board of Tax and Land Appeals, he's intricately familiar with a lot of this stuff and we'd like him to put forward this

presentation. It's a fresh face. The material is the same. We're going to keep it simple, keep it brief.

Stephan Hamilton, Board of Assessors, stated I want to go through this as quickly as I can and then we'll move on to questions and that might be the best format, but if anybody has any questions while we're going through this, we will be happy to answer them as soon as they come up. The first question that really needs to be answered is why do we reassess properties at all. The easy answer is that the constitution requires that if we collect taxes on a system based on the value property, that the value of that property be taken anew at least every 5 years. That's the first requirement, the primary requirement for assessing property and that raises an interesting question because previous to the last 5 years or so, most municipalities in the State, did not conduct a reevaluation every 5 years and the prevailing thought at that time was that the equalization procedure that the Department of Revenue Administration go through on an annual basis was sufficient methodology to replace that valuation to. And in 2001 the Supreme Court issued a decision that is known as the Sirrell decision that clarified that the equalization procedures that the DRA goes through do not replace the need for municipalities to have anew valuation done at least every 5 years. That Sirrell decision even clarified what a valuation anew meant, in that it didn't require that the municipalities measure and inspect every property, but that every property be valued. The reassessment process is simply a process that returns all of the property to market value within the City. All property changes in value through time, but not all classes of property change at the same rate. So some properties might be increasing in value at the same time as other types of properties are decreasing in value. So the goal of the reassessment is to bring all the properties in all of the classes back and in Assessing we think of market value as being between 90 and 110 percent of market value. And lastly, the answer to the question of why reassess property is that the assessment review process requires it and that raises the question, what is the assessment review process. In response to the Sirrell decision the Legislature established a system to make sure that all municipalities were valuing properties substantially the same way throughout the entire state. The statewide property tax, a tax that applies to municipalities, the Court said because of that all municipalities have to be go by the same set of standards coming up with the results. Assessing review started out as a set of assessing standards for each municipality to adhere to and they were designed so that everyone could be sure that all of the cities and towns were consistently valuing property. Through the legislative process trying to get the assessing standards approved, they became guidelines rather than standards. At the rule making point in the process certain aspects of it were questioned as to whether it was unfunded for the State so they have legislature that determined it would wise to change these into guidelines instead of standards. But they didn't eliminate all of new requirements that the assessing review procedure put into place. The

City's assessment review is for tax year 2004. And under the statutes the legislature gave to the DRA a period of time to determine a schedule for each municipality to be reviewed so that they could be sure that all municipalities are assessing property the same way. Each city and town in the State was assigned to one of 4 years, tax year 2003, 2004, 2005, and 2006. In our case it was 2004. An assessment review is not a one time occurrence, it will occur every 5 years, so beginning in tax 2004 we will be up for assessment review and then subsequent to that, every 5 years. So then again in 2009, 2014, 2019 and so on. The assessment review process is really a comprehensive audit of the assessing functions of a municipality. It requires certain record keep and accuracy of data requirements to be met, it requires the obtainment of market values having ratio between assessed values and market values between .90 and 1.10 in the year of the review. It requires that municipalities have reasonable proportionality in terms of how much properties deviate from that measure of market value. And it also requires that all properties, commercial, residential, and vacant land all be assessed within 5 percent of that ratio. These are the guidelines, these are the requirements that the assessment review process will be looking at for this tax year and that begs the question, do we meet the requirement. It is very likely that we're going to meet the record keeping data accuracy requirements of the assessment review process. But it is very unlikely that we are going to meet the statistical requirement. Primarily because the ratio assessed value to market value in tax year 2003 was 65.1 percent, that's significantly lower than the .90 and 1.10 that is required. And if we look at the different classes of property in the City, we find that all of the classes of property are not assessed at the same level. The City went through a reval in 2001 and at that time attained a market value of .91, and so the question arises why did the ratio drop so far since the reassessment. That was only 3 years ago. The easy answer is that the ratio measures the relationship between assessed value and market and market value in the City has been increasing not only for residential properties but for commercial properties as well. All properties have increased dramatically since the 2001 reassessment. When market values increase and there are no changes to the assessment, then the ratio declines and market value for almost every class of property has shown in their ratio that they have increased or decreased for all of those classes. And that brings us to the key question is when should be reassess property. The last year the reassessment was tax year 2001, had an effective date of value of April 1, 2001. To meet the assessment review guidelines we would have to have had a reassessment in tax year 2004. We would have to meet market value and to meet constitutional obligation, that a valuation anew be taken at least every 5 years. The latest we that we could accomplish a reassessment in tax year 2006. When we say reassessment, we're really talking about a couple of different types of activities. A reassessment might be a full reevaluation and that's the traditional reassessment where all properties are inspected, measured, and valued at the same time. But there's a more progress approach and that to conduct valuation updates. Through the

valuation update process all of the properties are valued but not all of the properties are inspected and measured. Property inspection is done a cyclical basis so that we might inspect 20 percent of the properties in the City every year so that we see every property every 5 years. The Assessors are recommending that a valuation update be completed for tax year 2005. This is an activity that we're currently not staffed to accomplish in house. We don't have the staffing level that would be required to do an adequate job of conducting that valuation. So we are recommending that an RFP be drafted, sent out to get bids to have a valuation update done by an outside firm. We're also recommending and we're preparing by increasing staff, hopefully, and acquiring more complex tools to complete the next required reassessment anew in 2009 in house. And then all subsequent reassessments will be accomplished. By having the reassessment in tax year 2005 this will balance out the workload. In order to get from where we were in 2001, to match up with the 5-year cycle, we have to accomplish 2 reassessments between now and tax year 2009. The 2005 date will allow us 4 years since the last reassessment and then 4 years until the next one. After the 2009 date, we'll be in sync with the 5-year requirement so therefore we won't have to have another 4 year or less between reassessment. 2005 we believe is going to comply substantially with the statutory and the constitutional requirements for the reassessment. And there are a couple of issues that have been raised and questions that have been floated about. What happens in a reassessment and there's been a question about a potential shift from commercial values to residential values that could be produced by reassessing the property in the City. we have conducted an analysis, a pretty in depth analysis, as to what's been happening with the values on different classes of property in the City and we can show that has been substantially no change to the balance between commercial and residential properties in the City. if we look at the assessed value of properties, the relationship between the assessed value of commercial and residential properties remains substantially the same. There's been this 62.1 percent to 37.9 percent is about the same as the 61 percent to 39 percent that we produced in the year of the reassessment. Now we are going to show the balance between equalized value for the same class of property. We can get into a more in depth discussion about that when we are provided more backup information. But if you look at the slide you can see that the market value, the estimate of the market value in the City went from just over \$5 billion in tax year 2001, to over \$7 billion in tax year 2003, and the growth in those values has not just been in the residential but also in the commercial portion of the tax base. If you look at it a little more detailed and analyze the percentage of the value for each of the classes of property and looking at the balance between the commercial and the residential, the commercial property represents about 36 percent of the market value in the City, and the residential represents about 64 percent. now that number is slightly different than the balance between the assessed value and at the time of the 2001 reassessment the residential values were slightly undervalued relative to the total

value of the City and the commercial value was slightly overstated. While reevaluations don't come free and there are costs that are involved in these kinds of activities and by going out to contract and bringing in private companies, the traditional method of conducting reassessments in this City and in most municipalities, we could look at the cost over the next 15 years and we're looking right now at the cost of the valuation update if completed in 2005 to be at about \$750,000. Now that is substantially less than what the cost of a full reassessment would be. the cost of a full reassessment would likely be over \$2 million. The savings is in that in the valuation update they are not going to be inspecting and measuring every property, but we're going to be increasing our staff load so that by the time the next full reassessment would need to be completed and tax year 2009 comes around, we will have already inspected all of the property in the City and we will be prepared in house to complete that valuation. But if the City were to go the traditional route, the cost per year would be about \$350,000 over this entire cycle, which spreads from 2001 to 2009 and then in the next cycle, which would be the following 10 years, it would be about \$320,000. That's substantially more than what it would cost to increase our staff level to be able to do this work in house. And really funding of the additional appraisal positions that we've asked for in this years budget request, is going to allow us to conduct those reassessments beginning in the tax year 2009 cycle and then extending that forward into the future. So there will be an annual savings in the range of over \$100,000 for all of these reassessment activities. In the first cycle that we go through there is probably going to be the need for a consulting expert in order to make sure that we're on track and doing it up to industry standards to make sure that we're appropriating valuing the property, but it won't be anything here what the cost will be to have a full reassessment done. And there are other benefits that are involved in having a practice of cyclical inspections. By doing that we're going to be able to better serve the taxpayer. We are going to be able to see the properties more often and more consistently. Somebody goes out in their back yard and builds a porch, which changes their porch into a family room, we're not going to leave it to chance to find that out, we're going to inspect the property on a regular basis. And so that the time that goes by that we don't know about it will be shorter. The other thing that we'll be able to do is we'll be able to respond more quickly if there are changes in the values of a particular class of property and a good example of that would be the condominium market. What happened in the late 1980s and early 1990s where there was substantial collapse in condominium real estate market. At the time the City wasn't staffed or prepared and didn't have the adequate tools to make adjustments to that entire class of property. But under this scenario we'd be able to identify those properties that were changing in value and make those changes in in between years. If we notice that there's a class of properties whose values are dramatically falling, we can reduce those assessments and provide better equity to all of the taxpayers. In the same way, if we see a class of property that's dramatically increasing in value relative to the rest of the

market, then we can increase their assessment and we can provide reduced taxes to the rest of the taxpayers in the City by having a larger tax base to divide the budget by. All of this goes towards providing better equity to all. That's the basis of our presentation and that's our plan for the future of our office and we'd love to have questions.

Alderman Osborne asked would you feel that residential valuation is on the upscale or do you feel it's coming down the other way?

Mr. Hamilton answered right now in looking at the most sales information that we're seeing, we're still seeing increases in value.

Alderman Osborne asked do you think this trend will last?

Mr. Hamilton answered I wish I knew the answer to that.

Alderman Osborne asked it's rising year after year about the same percentage or has slowed down some?

Mr. Hamilton answered it has been consistent between tax year 2001 and tax year 2002. There was about a 15 percent increase overall in value. That was about the same between tax year 2002 and tax year 2003. We're starting to see a trend where we think the rate of increase is slowing down.

Alderman Osborne asked so by having another reval at this time would be better in your shoes, I guess, than waiting until 2006?

Mr. Hamilton answered on our part, the reality is that we're just taking a snapshot of value at some point in time and for what we do there's little difference in whether or not it's this April or next April or the April afterward, we're going to be analyzing sales, the process is going to be the same. If we were in a condition where market values were decreasing, we get to that point, then it becomes more difficult after reassessment is completed because more people will be aware that their properties may be over assessed so they may file for an abatement. That could cause more work for us down the line. But the short answer is, is there's really no way of knowing if there's going to be a decline in values or when it will happen.

Alderman Osborne stated so what you're trying to say for the taxpayer it is better to do it as soon as possible?

Mr. Hamilton answered right.

Alderman Roy asked Steve, if you could just touch upon a little bit. On Page 4 are two of your proposal it had returns all property to market value. Can you discuss a little bit of over the past couple of years what's happened in the multifamily market compared to the single family residential and the commercial or condominium market compared to the single family residential, and where the viewpoint of assessment and fairness comes in.

Mr. Hamilton replied if we go a little bit deeper into the presentation, if we turn to Page 13, we can see a analysis that's completed by the DRA on an annual basis. This is part of the equalization procedure that they go through. And what it does it seeks to determine what the value of the City by looking at the relationship between our assessment's market value. They do what's called a stratified ratio study and looks at the different classes of property and it can be an indication of where the market values are for different classes of property. So at the first line of that summary on Page 13 there is what's called the full report with no stratification. If we look over to 7<sup>th</sup> column over, it says weighted mean ratio. That's the indication of where we are in relation to market value. We're at about 65.1 percent of market value for all of the properties in the City. if we go down 2 lines, the code is multifamily 2 to 4 units. Looking in that same column, the weighted mean ratio for the multifamilies is 56.8 percent. that means that relative to all of the other properties in the City the multifamilies are assessed at 56.8 percent of market value and that's less than the 65.1 percent. And if you look at it versus the single-family homes, which is at 67 percent, it's even more dramatic. That's kind of happens, and the same is true for the more than 5 unit apartment buildings, when you have that condition, residential land is in the same kind of position that that is. You have people that are not paying their fair share in taxes and it's not because we're not billing them, it's not because they don't pay their taxes, it's just because the market value of their property has increased dramatically. Now we've tried to understand why that happened in the 2 to 4 family segment of the sample, which is a substantial number of properties in the City of Manchester, everybody knows there are a lot of 2 to 4 family dwellings, and the best explanation that we can come with why this happened is because at the same time market rents were increasing in the City, interest rates were declining. So the two factors that dramatically affect those types of property, how much can I rent that second apartment for, how much is it going to help me pay my mortgage, both were going in the opposite direction. So it caused a dramatic increase in the value the properties relative to the rest of the City.

Alderman Roy stated so to just summarize so it's crystal clear to the taxpayers and the people on this board, in order for us to have a fair assessment, you recommend doing this as soon as possible.

Mr. Hamilton answered right, because those differences that we see in the weighted mean ratio indicates some people are paying more than their fair share of taxes and some people are paying less than their fair share, and the only way that we can return that all so that everybody is paying their fair share, is to have a reassessment.

Mr. Tellier added it's not only that Alderman, what we're stating here, and if you look at the packet on 21-J:11a and b, 11a provides for the assessment review process, 11b requires the word shall, the Commissioner of the DRA shall assign an assessment review date for every community in the State. Now there's approximately 60 communities, you have that in the list as well, there are 60 communities in each of those years. They cordoned off the cities and offset those, they grouped northern sections so that they could pool their resources, but the short version is that the State administrative rules and statutes require a cycle of revaluation. They require it and that's why we've asked Guy Petell who is the manager of Property Management Bureau of DRA, he's here to answer some questions as well.

Alderman Porter stated I handed out a spreadsheet and I just took this from the MS-1. One thing it does is it kind of demonstrates that the flattening of the residential/commercial split with assessed value. I believe on your sheet that you submitted with the package you did it on equalized value. I prefer to do it on assessed value because that's what actually goes out on the bill and that's what actually generates the taxes and your presentation is fine on the power point. In a general sense, there's nothing to disagree with. I think I've stated it many times that my concern is the timing of a revaluation and just to not correct you Steve, because you don't know and you have no way of knowing, back in 1993 I did do all of the condominiums because we saw what was happening to that particular market. I didn't try the commercial because number 1 with commercial you've got commercial apartments, strip centers, banks, that gets into a whole different ballgame. So the Assessors always have the authority to go out and change as long as you can delineate a particular market if it gets out of whack and boy were they out of whack. My concern isn't that the distribution between the residential and commercial now, but rather what it will be like after a revaluation. I have spoken with a number of our colleagues in other communities and every one of them recognizes that when they do a revaluation, they're going to see a shift from commercial to residential. It's going to happen, whether it happens in 2004, 2005, 2006, 2007, 2019. But my concern is simply that because the real estate market has spiraled since the revaluation and the DRA numbers on the ratio sheet you use the weighted mean indicates that multifamilies will go up drastically, residential, but when it gets to commercial land and building, you're up in the ratio of somewhere commercial land and building the weighted mean was 90.8, the commercial condominiums were 82.2. Now I'm simply going by the sheet. I also



recognize that if you go over further and look at the number of sales, and this is part of a problem, the ratio is driven by residential properties and when area such as condominiums goes up drastically, that will have an effect obviously on the overall ratio.

Mr. Hamilton stated Alderman, to answer your question, that sample size is a really valid point and something that has to be emphasized. When you look at the indications that have very small samples sizes, there can be a lot of variability. It may not be the right answer to the question, and so we have to remember that these are just statistics and really you don't want to put too much weight on them because everyone knows that if you flip a coin you have a 50 percent chance of getting heads or tails. That's doesn't mean that if you flip it once it comes up heads, you know it's going to come up tails, it might come up heads again. And so there's a risk involved here that there is variability. What I can tell you is that we know that there is going to be a shift between the residential and the commercial and that's why we equalized those classes of property separately to look at what the true market value of those classes or properties is. And when we looked at it, we looked at it not only in terms of what the balance is now and what it was in 2001, but also looked at what the balance was between the assessed value and the reality is that in 2001 the commercial properties were slightly over assessed relative to all of the other properties and the residential properties were slightly under assessed. The reason that happened is most likely because this increase in value didn't start in 2001 it was already under way. So the reassessment company was trying to hit a moving target on all of these values in 2001. But if we turn to Page 14, this seeks to understand the relationship between these residential and commercial properties and understand whether or not they might be assessed at the same level. And by grouping all of those properties together you get a larger sample size. The summary at the top of Page 14 where it says Type J1, that's all of the residential improved properties. That includes the condominiums, that includes all of the residential properties, the 2 to 4 families, every residential improved property and the measure of that class of property is just under 64 percent and just below that GA2 is a measure of all of the commercial properties. With a sample of 145, which is a pretty substantial sample when we're talking about statistics, in assessing statistics we usually think that we have a pretty good size sample if we have 30. So this is 145 properties and it shows that for the non-residential the median would be 58.7.

Alderman Porter stated I think we're getting a little heavy into the statistics. I'd like to...

Mr. Hamilton interjected I don't want to get too heavy into it but I do want to show that these figures here show that statistically there's not way to tell that there's a difference in value between the commercial and residential properties.

What's important in that is that if we can't tell statistically, then we can't know that there's going to be a big shift.

Alderman Porter stated my point is this isn't my issue. My issue is not whether we do a revaluation, and I'm sure the DRA appreciates your saying that we shouldn't put too much weight on their numbers, just kidding Guy. But I think that my issue isn't the revaluation. When I first got here there was one done in 1970. I got on the board in late 1980 early 1981; we ended up doing one in 1991. That was 21 years and then the next one was 10. We recognized that we can't go that long between revaluations. We understand that. My concern is simply this, the taxpayers and as an assessor you also have to consider the taxpayers, not just the DRA, not just the constitution. You work for the City of Manchester and my point is the DRA, it's guidelines at this point. Correct? We're dealing with guidelines. The desire was initially too...what have I said wrong to this point? They are guidelines, yes or no?

Mr. Hamilton answered some of the changes are guidelines now, but some of them are still statutory requirements.

Alderman Porter asked such as?

Mr. Hamilton answered the 5-year valuation.

Alderman Porter interjected that's not a statutory that's constitution. There is a difference. Now let me finish. The constitution...

Chairman Forest interjected let him answer the question.

Alderman Porter stated I didn't ask one yet.

Chairman Forest replied I believe you did.

Mr. Hamilton stated I believe you asked me where the statutory requirement for a 5-year reassessment is.

Alderman Lopez asked clarification please.

Chairman Forest asked what is the clarification?

Alderman Lopez stated I think the question was asked of Guy [Petell] and I would appreciate his answer on the record.

Alderman Porter stated I understand the 5-year. The constitution had that for decades. That is nothing new in the constitution.

Mr. Tellier stated what's being passed out to you is RSA 75.

Alderman Porter stated right. Every fifth year once the DRA starts the assessments. So this won't become effective until 2009, because you started for 2004? But once you do the review, this where this 5<sup>th</sup> year kicks in because it's...

Guy Petell, Manager of the Assessment Bureau, Department of Revenue Administration, your question to us was when does that cycle start? The cycle starts this year 2004 for Manchester meaning that you're going to be reviewed and you should meet those recommended guidelines this year.

Alderman Porter replied I know. What I was getting at was then that starts the clock for the 5-year cycle.

Mr. Petell replied that's correct.

Alderman Porter stated that's what I was getting at. Right now our 5-year would be 2006 as per the constitution. My concern isn't whether we do a revaluation, I know we have to do one at some point. My concern is that we're talking about this three years after we did the last revaluation. We're not one of those towns that went 12, 15, 18 years without a reval, or 10 years. So this is my concern. Given the residential property primarily and even thought the multifamilies...is it 5 and above that are considered commercial? Or 4 and above? So it is still the same, that hasn't changed. Although that is commercial in nature, it's residential in use and my concern would be the impact without having some warning or have some idea, and this could occur in 2006, I'm not disputing that. So let's not get on the wrong foot that I'm against the revaluation. My issue is the timing of this. We spent about \$1.4 million, in that range, 3 years ago and now we're talking about spending another \$750,000, adding two more people to the staff, and I'm quite flattered that the City finally saw my value and when I retired they added two people instead of just one. That's just a private joke, Mr. Chairman. My concern, as I said, is simply the timing of this. And I think that having it this year without having more knowledge I have some items listed. First of all the DRA ration study was done from sales of October of 2003 through September of 2004? Is that correct?

Mr. Petell replied yes.

Mr. Hamilton injected no. October 1, 2002 through September 30, 2003.

Alderman Porter stated okay. So basically right now we are...the next ration study will be accomplished using sales from October of 2003 through September of 2004. We are well into that ratio year. What I would like to see before we proceed to even go to RFP, RFP's don't cost anything, so you could send out 50 as far as I'm concerned, it doesn't cost anything to send out and RFP. But I don't know that it would be appropriate at this point because we don't know whether this is the direction that we'd like to go. I have listed some items here that are certainly within the capability of the Board of Assessors to look at and to come up with some numbers, to give a projection, it's not a prediction, it's a projection based on reasonability and I certainly would hope that you all do have the ability to take a look at this and do a study. It should take all that long. You've got all of the data right in house. I don't know how far along you've done with any verification of sales, but that's another issue. But most of these items here I would think that you could reasonably project, which would then give an indication of which categories of properties should be prepared to have a substantially higher tax bill. And I'm afraid that this is exactly what's going to happen to the multifamilies, they are going to skyrocket in assessment more than others and that is probably the only area of commercial that will do so. I don't believe the banks, the strip centers, and this type of investment type property will escalate as much. You do have some sales in your office and I think that these are things I'd like to address the committee to this that I would like to have the committee request of the Board of Assessors to provide at the earliest opportunity that they could so.

Chairman Forest stated we could probably do that after we're all done.

Mr. Tellier stated what I'd like to do is take a moment to redirect this slightly. The statutes and the administrative rules that are promulgated and adopted by the legislature. What we're saying is that Manchester is going to be required to do at a minimum a revaluation update. Now should the City do nothing, what would happen the mechanism as it exists is that the DRA petitions the Board of Tax and Land Appeals based on disproportionality and failure to meet the assessment review guidelines, the Board of Tax and Land Appeals is the authority that has the ability to order a revaluation. We're a 2004 year town. We don't have a great deal of time or the luxury of time any longer. We've been talking about this for quite some time now. This is not a new issue. I've been member of the Board of Assessors; we brought this up many times in the past. On Page 17 of the document that was presented before you are the what if questions, which was why we asked Guy Petell to be here. For an assessment review we got 2 initial projections of cost. One was a little over \$700,000, the other one was at \$815,000, I believe. That's why we estimate around \$750,000. About \$23 a parcel. The going rate for a full revaluation right now, if you contract it, when we did it in 2001, it was \$45 a parcel. That's up to \$65 or closer to \$70 a parcel. Now the Board to Tax and Land Appeals to my knowledge has ordered in the last several

years 24 different revaluations for disproportionality and other reasons. And they're looking at the assessment review process as it's occurring now. Should we be ordered to do a revaluation, instead of \$750,000 the cost would exceed \$2 million and would be closer to \$2.4 million.

Chairman Forest stated let me make one comment first on what you just said. I know when I came on the Board in 2000 they were talking about the 2001 and they were also talking about that 5 year one, we hadn't finished one and we were talking about another one. You're saying that our cycle starts in 2004 with another one coming up in 2009. If we hold this off until 2006...

Mr. Tellier interjected it's not only us that are saying that Alderman, it's what we've been instructed in the documents and the rules that are provided to through the State and the DRA.

Alderman Porter asked Steve, the only area, and what you're saying is you're trying to speak for the DRA and you're trying speak for the Board of Tax and Land Appeals, I think it would be properly stated is if the DRA appealed to BTLA to look into Manchester, then the BTLA would make a decisions whether it would or not. Nothing in that has changed. I don't believe that the pure litmus test is 5 years, the COD and I think that given Manchester's coefficient of dispersion of 15 percent is considered average, but in Manchester I consider that better than just average because of the nature and the diversity of the real estate in the City of Manchester. So let's not talk about the BTLA forcing it, let's take a look at the realistic timeframe. First of all the DRA right now we are under no mandate to do a revaluation at any point, except the 5-year constitution. No one has sent a letter to Manchester that we have to do it by this date or else it will be done. The DRA will come in and do their work, and from discussions we had with Mr. Boley and with Mr. Petell, they will complete their work and part of that study will be the ratio for 2004. Correct?

Mr. Petell answered yes.

Alderman Porter stated the ration for 2003 came out almost in April of 2004. So let's assume a similar timeframe. The ration for 2004 will probably be in Manchester say sometime in March or by April 1<sup>st</sup> of 2005. At that point the DRA would be sending a report, and 21J simply says they shall report, it doesn't say that the DRA will or shall take action, it simply says they shall report. That's a lot different than making it a mandate to do something. By the time the State would notify Manchester of it's condition, and I agree obviously the ratio is not going to jump up to 91 percent unless a disaster occurs in the real estate market, which there is no indication that that would happen. The only area that I think that Manchester would be out of the guideline would be in the ratio. But the fact that

we have a 15 percent coefficient of dispersion tells me the assessments in the City of Manchester are still in fairly good shape and that's all saying. Until I have some of the answers to these questions, why are we doing it in 2005? We can't use the DRA as the boogey man; they're going to do this. Worse case scenario, even if the BTLA did order the City to do it, there is no penalty. It is simply that the City would have to do it. I went through this in 1991; it was a mandated order by the BTLA and that started in early 1989. So they gave Manchester 2 years. My point...

Mr. Hamilton stated if I might answer at least part of the question. I understand what you're asking and unfortunately that year timeframe that is utilized to determine the ratio and thereby sending that to a total value of the City occurs six month before and six months after, as you correctly pointed out, for 2003. If we were to make a projection of the 2005 we'd have to be projecting what the selling prices of property will be as late at September of 2005. Now I don't mind trying to look down the road a little bit, but that's getting to looking down the road an awfully long way. In order to be able to answer some of these questions, you're asking us to be able to predict what the real estate market value of all properties in the City will be a year and a half from now and we can look back and we can try and make predictions for a reasonable period of time.

Alderman Porter interjected not a year and a half from now. About 4 months from now; 3 months from now.

Mr. Hamilton replied September 2005 is nearly a year and a half from now.

Alderman Porter stated no, the next ratio will be through September of 2004.

Mr. Hamilton replied that will be the 2004, but you're asking us to project what the 2005 tax base would be after the revaluation or update is completed and that would require an estimation of those values for tax year 2005. It's pretty far down the road that you're asking us to look. There's a point at which there's a declining value in any projection if the assumptions that you make have to be outrageous in order to make projections.

Alderman Lopez stated I want to go down to laymen's terms. I realize the reval is very important and I'm struggling between when that is going to be. And when I look at a document like was provided here and went through the experience of 1991 when the homeowners got zapped, and even though the real estate market is great, the real estate market was great when we got zapped and the real estate market is starting to level off and maybe in another year it will be level. It's very possible that we could wait until 2005 and do this. I went to a meeting, as Steve you're well aware of, up at the DRA and the experts up there were telling us and

gave us the documentation and Mr. Petell maybe you could help me with this, that you would come down and inspect Manchester or somebody, and you would tell Manchester what's wrong. And you would also tell Manchester what has to be done in a period of time. Then what I took away from that meeting that if Manchester didn't do something at that period of time, whether it be 6 months from now or a year, it couldn't be done over night, you would inspect Manchester. Then I think you would go to the BTLA and give your findings that Manchester is not complying with some of the guidelines. That's when it would kick in. Would you clarify if I'm wrong or if I'm right.

Mr. Petell answered you're right in procedure but I would hope that it's not the intent of Manchester to wait another year to find out what your problems are. We know what the problems are by the equalization process, by looking through that equalization process, and we're hoping that Manchester and all of the other municipalities in this State take action before the review year so that when we review them they will meet those guidelines, not wait for us to come and say you're at this point and you need to do something.

Alderman Lopez stated understanding that, if Manchester had a plan to present to the DRA of the direction for reval, whatever that plan is, after we make an analysis of maybe some of the information that we need I order to make a decision. And a plan is submitted of what we are going to do and you people review that, it's possible that you could agree with it?

Mr. Petell answered yes, it's possible.

Alderman Lopez stated I bring that up because in looking at this I say the tax portion goes up every year and 1991 was a big year. Now the other statement was made on many occasions and I want to clear it up tonight because I consider I have 4 experts in front of me, that we're going to get more revenue. Can somebody explain that how we're going to get more revenue if we do a reval?

Mr. Tellier responded we never use the word revenue. What revaluation does is reapportion values. Finance directors or somebody working on a budget may look at taxes as a revenue, that's their prerogative. What our role is as a Board of Assessors is to value property for taxation. Revaluation or a valuation update simply reallocates or reproportionalizes value in accordance with the 3 approaches to value. Primarily the market approach, which most people are familiar, comparing apples to apples and in their refinancing appraisals they are familiar with that, taking similar properties that have sold, that's the market approach. The other prevalent approach is the income approach, which is predominantly applied to commercial properties. Looking at what the income stream and then converting that to a value.

Alderman Lopez stated the answer is it's not more revenue because we reval. I could pay the same taxes under a reval that I'm paying today.

Mr. Tellier stated there will be a portion in any revaluation or update, there will be a segment that pays the same taxes, some portions their taxes will go down, some will increase and that's exhibited by the market.

Alderman Lopez stated I just want to make sure that doing a reval does not increase revenue for the City.

Mr. Tellier answered we don't use that term. It increases the valuation of property...

Chairman Forest stated I think under bookkeeping it's listed as revenue. I don't think we've ever said that, any Aldermen have every said that.

Alderman Lopez stated I'm not saying. It's been stated at some meetings by some prominent department heads and stuff like that, we need a reval because we're going to get more revenue and I want to take that theory away.

Mr. Tellier stated that's not methodology that we apply.

Mr. Petell stated revenue is a factor of your tax rate times your assessed value on property, and your tax rate is a product of the budget that you pass divided back into the total assessed value of the town.

Alderman Lopez stated I agree with you 100 percent. I want to go to Page 13 because I'm a little confused. In reading the letter dated March 30, 2004 by Linda Kennedy and establishing the ratio 65 and your document was presented April 6<sup>th</sup>. I'm confused as to why the median ratio was used versus the weight mean ratio for the State. In your documentation of residential and commercial equalization value you used the median ratio versus the weight mean ratio by the State. Could you explain that to me?

Mr. Hamilton answered what I did was I looked back to 2001 and then compared them 2001, 2002, and 2003 and the weighted mean wasn't the calculation that was utilized in 2001. The median was. Also some of the sample sizes that we were looking at for those categories were relatively small and the median is a better indicator when we have smaller samples sizes. We don't have to deal with outliers to solve some statistical problems.

Alderman Lopez stated put it in laymen's terms. If you use the 65, would that be that your numbers change drastically or...?



Mr. Hamilton answered no.

Alderman Lopez stated looking at Page 16, 2002 and 2003 I had to add all of these numbers up and I came up with a different number than the one that we used for the tax rate in 2003. Why?

Mr. Hamilton answered because these are equalized values so they are adjusted to market value. And additionally, the residential...

Alderman Lopez interjected I'm talking about the assessed value now.

Mr. Hamilton stated we didn't take off deductions for elderly exemption or for Veteran's credits and we also didn't adjust for payments in lieu of taxes. Just for ease of simplicity. So that the numbers might be slightly different.

Alderman Lopez stated well they are. Because I'm just going through this...

Mr. Hamilton stated just so I might follow through on that, the number of exemptions, those things change on an annual basis.

Alderman Lopez stated I'll grant you that, but when given a document like this and I have to research it and come up with different numbers, it's not fair to me to give me different numbers and not have a total here, that I have total everything up and come up with a different number.

Mr. Hamilton stated this is a lot of information, I know and I really was just giving this to you on background so that you could do that if you had to. It would have been a larger analysis if I tried to compensate for the differences in exemptions, credits and those sorts of things.

Alderman Lopez asked so are you saying to me then because the median ration that we've used in 2001 in the City of Manchester...in 2001 and in 2002 you would have had the weight mean ratio anyway from the State. Is that correct?

Mr. Hamilton replied the 2002 I know we had the weighted mean ratio.

Mr. Petell stated 2002 is the year that we changed over and that was the Equalization Standard Board passed a ruling saying that they felt that that was a better way to judge these towns. So we switched over in that year.

Alderman Lopez stated okay let's take 2002. Why would you not use the State's ratio? This is a little deep for me. The numbers would all change.

Mr. Hamilton replied the differences are relatively minor in the large sample sizes. There's really not much of a difference in the median ratio and the weighted mean ratio for the improved residential for tax year 2002. But this allowed us to look at all 3 of the years to get a better prediction of where those changes were occurring.

Alderman Lopez asked is that the right thing to do in assessing?

Mr. Hamilton answered in my estimation, yes.

Mr. Tellier added you might see different numbers here Alderman, but if I might just look at this in a general term, what Alderman Porter did, although the numbers are different because he used the MS-1 versus gross values...

Alderman Lopez interjected I don't care what Alderman Porter did. I'm trying to understand...

Mr. Tellier interjected I'm just trying to make an observation that if you look at the general observations on the final conclusions, they are very similar. Even though we used the median and we used the gross values of everything, and Alderman Porter's analysis used the MS-1 values. He was consistent in the numbers he used throughout all of those years and Assessor Hamilton was consistent in the numbers that he used in his analysis. When you look at the bottom line percentages, those conclusions, they are very, very similar. They are within a percent and I'd just like to draw your attention to that, that whichever set of standards that you use, the conclusions are very similar. As long as you use the same set of standards in whatever analysis you're doing. That's all I'm trying to bring up.

Chairman Forest asked Steve, I just heard the other Steve say that some of the numbers are not in, like the Veteran's exemptions, the elderly and whatever, if you add those numbers into this, would equal what Alderman Lopez is talking about. I think that's where we're going here because those figures are not the same.

Mr. Hamilton answered it may.

Chairman Forest asked can you get those numbers to Alderman Lopez? That would save us some time maybe.

Alderman Lopez stated that's what I was going to say. If you did the 65...if you did all of these number as the weight mean ratio, could I see what that would look like? Would it be the same thing?

Mr. Hamilton answered it may not be exactly the same thing, but it would be very close and what this was trying to show was that predictive pattern between the years and that's what Assessor Tellier was talking about. Applying the same set of standards every year and because we had the median available for every year, it seemed like the way to get the most consistent analysis.

Chairman Forest stated I think what we're trying to do tonight is to explain how we got to where we are. This isn't a budget thing and I think they're just doing examples, but I know where you're going.

Alderman Lopez stated I'm going to yield to my colleague over here, but I have to make an important decision as to who is right and who is wrong, who is doing what, who is on first, who is on second, who is on third, in order to get home. The home is the taxpayers and that's what I'm interested in. I'm trying to understand this and it is very technical when it comes to the numbers here, so I'm going to yield to my colleague who is very good at numbers.

Chairman Forest stated I don't think we're here tonight to make decision on where they're going. Eventually we will, but not tonight. We're just here to hear the presentation and where we're going.

Alderman Porter asked Steve, these are not gross figures because when you add up...if you take 2001, I wasn't going to get into that but since my colleague did, your response is not accurate. If you back out the exemptions and the assessment exemptions are somewhere around \$135 million or so? For example, 2001 is off slightly under \$20 million. That is not accounted for by any exemptions. 2002 is off by \$2.7 [million] and 2003 is off by \$18 million. None of these would be changed...I don't have a problem with what you did, it's just that they don't match the MS-1, that's all. That was my only concern.

Mr. Hamilton stated because they weren't derived from the MS-1.

Alderman Porter stated well they should have been because that's what the tax rate is set on.

Mr. Hamilton stated if we did just go with the MS-1 the information that's reported on that document is not as detailed and it doesn't allow you to break out into the different strata all of these. And so what we did have was reports from Division Appraisal software from a date approximate in every single year that we could take those totals from.

Alderman Porter stated but the point is Steve, these should match the MS-1 to be truly meaningful.

Tom Nichols, Board of Assessors, stated I did the same thing that Alderman Porter did. I've been keeping track from 1987. I did the same thing that he did on the sheet that he handed out and I can make copies and give it to all of you Aldermen, as well as the full Board. It has all of the exemptions, all the deductions, the net valuation, everything. So getting back to Alderman Lopez, he wanted a spreadsheet of the net valuations...

Alderman Porter stated I handed that out Tom. That's what he has.

Mr. Nichols replied yes, but you're saying that Steve's...

Alderman Porter stated that's on a different form. That's got nothing to do with the piece that we handed out.

Mr. Nichols stated these are equalized. These are raw figures, right from the MS-1, just like you did.

Alderman Porter stated we're not dealing with that here. This is a different sheet. There's no point in making a big issue out of this. It's just that this should match the MS-1 and it doesn't, that's all.

Mr. Hamilton stated in terms of where some of those differences might lie. For example, current use is not addressed in my analysis because it's not a significant part of the tax base. That produces a minor difference in value and so in order to have the most number of strata that we could analyze through the 3 year period, rather than taking the breakdown from the MS-1, which is more rough, I went to division reports that were available for all of those 3 years and applied the same methodology to all of those 3 years so that one could look at it and see how the values might be changing.

Alderman Porter stated the only thing Steve is the MS-1 is what the tax rate is set with and not figures derived elsewhere and as Mike pointed out, to me this is all about the taxpayers. Not statistic, not DRA, BTLA, what's in the best interest of the taxpayers and I do not believe its in the best interest to have it in 2005 until, and I agree with you, if we want to change that other handout that I gave, change that to tax year 2004, if you were to do one this year, what would the shift be and more than likely the shift would be comparable next year. This would not be going out too far, you certainly have sales for almost 8 or 9 months of the ratio year. That's all.

Mr. Hamilton stated I'd agree with that Alderman, that 2004...

Alderman Porter interjected so if we would just reduce that to 2004, and I won't say it's a typo, it might be, it might not be, but I agree with you, it is a little bit far out to do that. Then you'd really be out on thin ice as far as that goes. But as I said, having sat in that chair for many years, projections are not predictions and I understand there can be variations and the market can change overnight. All we need to do, and what we have seen, is interest rates bump up a little bit at a time, this then inhibits the value of property and I think that you see, as well as I do, that the rate of increase is slowing down and I don't believe the time to do a revaluation is when everything is at the top or at the bottom, but rather in a market of some relative stability and we're not there yet, that's all.

Mr. Tellier stated our interests are in the taxpayers as well. There are some out there that are paying a disproportionately high burden; there are some that are paying a disproportionately low burden. So our concern is with the taxpayer as well. What our concern is also, Alderman, is that we have no control over what the...contrary to what Alderman Porter said, I never speak for the DRA nor the BTLA. However, we can only look at what has occurred. We know that there are towns and cities that are being viewed for review and those that are not actively pursuing or adopting a plan, those are being considered by the DRA for further action and collaboration with the BTLA. Also with the taxpayer in mind, what we're proposing is the least expensive option that would be incurred at \$750,000 for a contractor. Were it to go to a full revaluation, and there's no certainty that the Board would not order that, they may not. I can't speak for them. If an update were posed, that's about \$750,000. Were a full scratch job be demanded with BTLA oversight, that adds a premium to that job as well. That will easily exceed \$2 million.

Alderman Lopez stated as we were well aware that the last revaluation we had a great uproar in the Ward 1 area and there's been some talk somewhere along the line where the next ward or area in the City of Manchester would be hit the most. Can you give me some ideas?

Mr. Hamilton answered we haven't completed the analysis that will tell you which neighborhood it is, which ward it is that would have a larger increase or a smaller increase. We don't see that as being an issue about geography as much as it is about accuracy.

Alderman Lopez stated but it would be based on the sales and everything else. Right? And the south end of Manchester is probably the biggest ward in the City.

Mr. Hamilton stated we have not completed that analysis.

Alderman Lopez asked would you agree that the real estate market on the south end is high?

Mr. Tellier replied what I would say Alderman, is that Ward 1 being a very desirable area to live, once the real estate market started increasing, that area being a very desirable neighborhood saw some of the early rising values, which were used in the 2001 revaluation. As the market continued in the ensuing months and years, other portions of the City have risen at a dramatic rate. So we're going to see other parts of the City are going to increase dramatically, but not only other parts of the City, other types of property as well. Multifamilies has been brought out. Initially in 2001 those opinions of value were predicated on the income that they were driving and rents, if you recall, in 2001 were \$500-\$600 a month. Present rents that these owners are gaining, the average rent exceeds probably \$700 a month, I would say, for a class C apartment. \$650, \$750 a month for a class C apartment and they just escalate with the more desirability of the apartment. Now those added incomes are going to the owners of those properties, the City is not gaining any of the additional tax burden or taxes that those market values would realize. And that's just a segment. Vacant land is another. It is the law of supply and demand. Vacant land is increasing at a dramatic rate as well. So it's not just neighborhoods, it's types of properties as well.

Alderman Lopez stated my next question is for Mr. Petell. A letter sent to you April 1<sup>st</sup> by the Board of Assessors, do you have that with you?

Mr. Petell answered yes I do.

Alderman Lopez asked are you prepared to answer any of these questions or are you sending anything in writing?

Mr. Petell answered I'm prepared to answer some of these, not all of them do I have the answers for.

Alderman Lopez stated if you can go through, and I'll go through with you, but are you going to prepare a written document for the Assessors at a later date.

Mr. Petell answered if you wish to have that happen, I'd be glad to do it.

Alderman Lopez stated yes, I'd like to have it in writing.

Mr. Petell stated there are some here that I'm not prepared to answer.

Alderman Lopez asked out of the 6 or 7 questions here, which one would you want to answer for the record? Let me go down the questions here. How many have passed their respected reviews?

Mr. Petell answered we're still finalizing that process and I would say of the 58 towns that we reviewed, I think there are all but 4, and again, it's not final, but there are either somewhere between 3 and 5.

Chairman Forest stated hang on a minute. I think you've put Mr. Petell on kind of a spot here. I think at the bottom it says that the Board of Assessors has asked the staff to reply to these. Correct? Can you defend some of these or speak about some of these?

Mr. Petell answered I'd be glad to address some of these now and in the future in writing if you want follow up in writing, I'd be glad to do that.

Alderman Lopez stated I just want to go through this because I'm trying to make a decision here. How many have complied by formally adopting an acceptable plan? I think that goes to where I was referring to that if we came up with a plan. Is that correct?

Mr. Petell answered I think of the 4 that I mentioned that have not complied, I don't think any of them have a plan. The rest of them have all met the requirements and the plan is already implemented.

Alderman Lopez asked what if the City takes no action to comply with the assessment review guidelines?

Mr. Petell answered then they will be...we will review that and if we feel it's necessary we would take you to the BTLA and let them make a decision whether or not they felt that a revaluation should be forthcoming.

Alderman Lopez asked can you give me some type of timeframe when all of this happens?

Mr. Petell answered I think Alderman Porter went through that, however, the fact that Manchester has not done anything, now it is the year of the review, we may look at them and take them earlier. It's possible that we may review you earlier where there has been no action taken and it could happen as early as the next 2 or 3 months.

Alderman Lopez asked then what happens after you review us?

Mr. Petell answered we would look at your numbers and if there's no contract to do anything or no plans to do anything, we may refer you to the BTLA as soon as the next 2 or 3 months.

Alderman Lopez stated the key word is plan. If we had a plan in place though, you would review that plan and if that satisfies you that we were going to do in 2005 and...

Mr. Petell replied when we review a plan, typically what we look for is that the money appropriated and you have a signed contract to do something for that year.

Alderman Lopez asked it could be for 2005 though?

Mr. Petell answered it could be. One of the problems we're running into now is that people have contracts do updates, but they're not implementing them. So I think that we are looking now to take people right to the BTLA, let the BTLA tell the town what they have to do. We've got 2 towns that we're reviewing right now. We have not made a decision on those, but if there's nothing planned for that year, then we may take you right to the Board and let them decide what they feel should be done. The only problem is, you're talking...

Alderman Lopez interjected I realize you've got a lot of problems and I realize from conversations with other people they had revals in some cities and they rejected it. There must be some cities that have revals and the authority people, the Board of Mayor and Aldermen or the Selectmen said that we're not going to implement it this year because it's not...then you're going to get involved with BTLA and all that stuff. That's a separate issue. I'm talking specifically that if the Assessors in the City of Manchester came to the Board of Mayor and Aldermen with an acceptable plan that we were going to do this in 2005 because what they're doing, the paperwork and update and everything, I think that has to have some value and you mentioned it 3 times, plan. So if we have a plan in place, I don't see how anyone could deny that we didn't do anything and that we don't have a plan in place to move forward.

Mr. Petell stated I agree that having a plan certainly has bearing on what we do. With no plan absolutely we probably would refer you to the BTLA. We would have to look at that plan to see exactly it entailed.

Alderman Porter stated this is a very important issue. I'm sure everybody is aware of that. Particularly to the taxpayers, most of here are taxpayers in Manchester. What my concern is that a plan should start with the Board of Assessors, not with the Board of Aldermen and I think part of that plan is to answer some of these questions, just to have people prepared as to what will happen. And I for one



think it would certainly be unreasonable of the DRA to decide in 3 months let's take Manchester because we are not saying we won't do anything and are not interested in doing things, or aren't interested in equity, because certainly we are. Manchester has a fulltime Board of Assessors; some of these things you have 4 people that could go out and do studies and change values you could do that if you did a study. I understand the situation because having been there it's a little bit difficult, but I think it is very important to have these things answered, and here again my concern, and I talked with Tom Nichols a while back, and I know you Steve Tellier have said the south end is really going to get whacked. Now I would like to know how you would know that without doing the study that Steve Hamilton has alluded to that you can't make that determination until you complete the study. The study is...I know what you're saying Steve Hamilton about it's equity, we understand that, however, it is also geographical when a particular part of the City is picked out as really going to get hit hard, the south end.

Mr. Hamilton stated Alderman if I might answer just briefly. I didn't allude to it, I told you directly we have not completed a study that tells which geographical area of the City increase in...

Alderman Porter interjected but that has already been determined by Mr. Tellier and Mr. Nichols that the south end will get hit the hardest.

Mr. Hamilton stated they may have opinions, but we have not completed a study.

Alderman Porter stated but that's important Steve. It's very important if there are opinions to that effect and I think that these are things that should be done. I'll wrap my end up. I would just like to say to change this to 2004 and this will solve that problem about geographical as Item D – provide an in depth analysis by property category or geographical sector of the inequities existing to warrant a revaluation or update. And to me that's what it's all about, not what the DRA might do, the BTLA might do, it's what's in the best interest of the taxpayers. Cost is obviously a concern, but if a full revaluation in 2006 is better than doing a partial revaluation in 2005, then the cost isn't really the issue, it's the true equity.

Chairman Forest asked Steve, can you answer these questions for us and get back to either this committee or Alderman Porter on these questions?

Mr. Hamilton answered we can do the best that we can in terms of supplying you with the answers that you're looking for.

Mr. Tellier stated I'd just like to denote that when I mentioned the south end I don't believe I said the word whacked. What I mentioned was with some certainty it's been evident in the sales that the north end early on since 2001 accelerated in

values at a quicker pace than other portions of the City. Those other portions of the City have accelerated now at a very quick pace to catch up, therefore, that tax burden may change. That's what it is, simply put. That and different types of properties.

Alderman Roy stated I'd like to thank Alderman Lopez, Alderman Porter and Assessor Steve Tellier for making my point. When you look at real estate values, which I do have a little bit of experience in, when your economy starts going upwards and Steve correct me if I'm wrong, your most desirable properties accelerate faster than your least desirable properties. To that, Ward 1 with the time of this past assessment was already achieving higher values than many of the properties in the City. Not only on the residential side but on the multifamily and commercial sides. Is that correct?

Mr. Tellier answered that is pretty much the case. What I would use though instead of, but I would say just earlier, that different portions of a community would accelerate earlier and other portions would catch up in ensuing timeframes.

Alderman Roy stated with all due respect to Guy and the DRA and I thank you for being her to answer questions, from my standpoint this has nothing to do with the DRA. It has to do with what we need to do for the taxpayers of Manchester. Just the premise of one ward being hit harder than another or one carrying the burden for a longer time than another, is why the assessment needs to be done. An earlier statement was made that in 1991 the residential taxpayer took a hit. I agree. I worked on that revaluation and our equalization rate went from 21 percent to 99 percent. The reason for that being is that there was not a reassessment done for quite a time before that and properties got viewed, measured and the data got updated and produced accurately with the market the way it was. This is where we're at now. We need to have all data accurate, whether it's in Ward 1, Ward 9, Ward 6 or across the entire City, when it come to types of property, commercial, unimproved land and residential. I'm here because one, I believe my taxpayers are paying too much of taxes, not in the sense of dollars, but in their fair share throughout the City. And to make that point I'd like to do one thing, if Steve or Steve could take the Page 14 of your handout. In the top box GA-1 is improved residential, that would be all single family and all 2 to 4 family residential?

Mr. Hamilton answered yes.

Alderman Roy continued and if you were to look at what is being used for the equalization rate you'd use the second column 90 percent median ratio?

Mr. Hamilton answered correct.

Alderman Roy continued when you look at GA-2 what is the definition of improved non-res. for people that are watching this.

Mr. Hamilton answered that's everything that's not a residential improved property. So it's all commercial and industrial property. It's all apartment complexes, all retail strip malls, every factory, every non-residential property that sells.

Alderman Roy asked now if you were to take that number with the residential improved being 63.9, what number would you use for apples to apples comparison for the non-residential?

Mr. Hamilton answered in order to...

Alderman Roy stated just make a true value for \$1 million of property, what number would you use? Is it the 58.7 number?

Mr. Hamilton stated if we were trying to establish what the fair assessed value is, we have to look at the value of all of the property, not the value in that class of property.

Alderman Roy asked if you were putting a differential between classes of property, who is paying the largest burden in the City?

Mr. Hamilton replied we could put this way, if a residential improved property had a market value of \$100,000, by this analysis it would have an assessed value of \$63,900 and...

Alderman Roy interjected and if that non-residential had the same value of \$100,000?

Mr. Hamilton replied it would have an assessed value of \$58,700.

Alderman Roy asked and GA-3, unimproved? What would that class consider?

Mr. Hamilton replied it would have an assessed value of \$50,500.

Alderman Roy stated so the \$100,000 home in any ward throughout the City, assessed value would be \$63,900. Same dollar commercial property would be \$58,700 and the unimproved land worth \$100,000 assessed value would be \$50,500.

Mr. Hamilton replied correct.

Alderman Roy asked do you feel from your assessing standpoint, your work at BTLA, that is fair to the residents of the City?

Mr. Hamilton replied no I don't think that's fair. I think that the only fair way to have assessing is that everybody pays the same share based on their value. That's what taxation is. It's based on the value of property and if there are properties that are worth more now than they were 3 years ago, for equity's sake, for the sake of all of the other taxpayers in the City, those assessments should be raised to where they belong. Not how much it increases, that's not the goal of equity. The goal of equity is that everybody pays the same share.

Alderman Roy stated in closing I'm just going to ask you to reiterate that assessment does not drive... Let me put it this way; the assessment of a property is part of the tax base. The tax base does not determine the tax rate.

Mr. Hamilton replied correct.

Alderman Roy continued the rate is determined by the Board of Mayor and Aldermen. Correct?

Mr. Hamilton answered the total budget is determined by the...

Alderman Roy interjected the budget and the State determines the tax rate to equalize the...

Mr. Hamilton replied to equalize the value of property. So that total value may have an effect on the rate but not on the total amount of money raised.

Alderman Roy asked if a property in the City of Manchester was to go from \$100,000 assessed value to \$200,000 assessed value, that in and of itself would have no bearing on the amount of money of the tax bill?

Mr. Tellier replied if the budget did not increase.

Alderman Roy interjected whether or not apples to apples.

Chairman Forest stated point of order. The tax rate is not set by the Board of Mayor and Aldermen, it is set by the State.

Mr. Tellier responded that's correct. Simply put for everyone here and anyone watching this, it is  $A \div B = C$ . A is the budget that's adopted by any municipality, B is the tax base, you divide that into the budget and it tells you what you have to appropriate for monies. If the budget doesn't go up and the tax base

remains stable, then that tax rate would be stable as well. That's simple math. In a revaluation though you reshuffle the deck. Some of those properties that may have been worth \$200,000 that were at \$100,000, maybe they're worth \$225,000 and some are worth \$175,000, we're reshuffling the deck.

Alderman Roy commented we're leveling the playing field.

Mr. Tellier replied we are leveling the playing field.

Alderman Roy stated the point that I'm just trying to drive home to the people watching this and my colleagues, that because you have a reassessment it does not mean that any particular class of person will automatically have tax rate increase. As you said before, some will go up, some will stay the same, and some will go down.

Mr. Tellier stated that's correct. And also what my closing comment would be that we will strive to answer Alderman Porter's question that he's presented to us as quickly as possible. What we want here to get as much information to the committee to make an educated decision based on what we've presented and the answers you'll receive from the Department of Revenue Administration as well. Trust me when I tell you, the Board of Assessors doesn't willing ask for reevaluations. It's not an easy process for anybody.

Alderman Osborne stated I've come to the conclusion here that we are coming back with this. True?

Chairman Forest replied this is strictly for informational purposes so we can do what we want with it with the comments that we've asked Steve and the Board of Assessors to answer to some questions. That's why we're here.

Alderman Osborne stated 2005. This is what you're thinking about. If we did an update then and then a full in 2009, does that work or does it have to be a full in 2005?

Mr. Hamilton answered that's what we're proposing.

Alderman Osborne asked proposing what?

Mr. Hamilton answered that we do the update in 2005 and then the update that we complete in 2009 will be in house, but we will have looked at all of the properties and it will be substantially the same as a full reevaluation.

Alderman Osborne asked where do you think the biggest problem is in Manchester? In multifamilies, rental properties, is there where you think it is?

Mr. Hamilton replied I don't see it in terms of problems. The properties that are under assessed?

Alderman Osborne answered yes.

Mr. Hamilton answered currently the multifamily, both small multifamily and large apartment complexes and all vacant land.

Alderman Osborne stated the rents that are paid out there now, especially in my ward, which I live in an inner city ward, I know they are paying upwards of sometimes \$800 to \$1,500 in my ward. Families have to gather together, 2 or 3 families, in order to pay their rents. So I think the whole problem with this is a lot of rents that are too high and everybody's getting in on the act. I hate to put it this way, but I call it greed. This is what's wrong with the whole situation here. So I think we'll come back with it.

Alderman Porter moved that the year 2005 be changed to 2004 on the list of questions he distributed and that the Assessor's come back to the committee at their June meeting. Alderman Lopez duly seconded the motion.

Chairman Forest stated let me make a suggestion. I don't think that we have to have everybody back at that point. Just so we can have the answers to these questions, if we could.

Mr. Hamilton stated we could have them available in two weeks.

Alderman Porter stated I would also like to have whatever documentation you used to arrive at your determinations.

Mr. Hamilton answered certainly.

Mr. Petell stated we have discussed, and I'm on Page 13 of the equalization survey, we've talked about the ratios. Whether you talk about the mean ratios...

Chairman Forest called for a vote on the motion. There being none opposed, the motion carried.

Mr. Petell continued we've talked about the ratios here and I think if you look at Page 13, this is a better indication rather than Page 14 of the overalls, because that really lumps them together. If you come down under the mean ratio, and you start

looking at the commercial ratios, you're talking 82 and 90 percent. the other thing that I'd like to point out is under the residential land, if you go over to the coefficient of dispersion, which we refer to as the COD, there's a 60 percent. that number is a number that we don't even see very often, which really indicates that you have values on your residential land somewhere starting with the median ratio, 60 percent under and 60 percent over. We're talking about 120 percent variation in values in that one category. So that's another are that you people really ought to take a look at. You've got some others that are at 27 percent, higher CODs. Anything below 20 [percent] is acceptable, 15 [percent] is fair, when you get down around 10 [percent] where you're really doing very well. When you're talking 60 [percent], it certainly is something that needs to be addressed.

Alderman Porter stated just a quick response Mr. Chairman. That's true Guy, but by the same token we have 4 fulltime appraisers in the Assessors office and there isn't that much residential land. That land could very easily be adjusted with a study and an analysis and then go in and change the tables. It is not something like 20,000 parcels like that. so I think this is the thing that I'm looking at, you have 4 people perfectly capable of going in and doing that, and I think that maybe that's something that could be done as a matter of their regular work and no necessarily part of an update or reevaluation.

Mr. Petell replied that may be, but I guess from a DRA standpoint I want you to know that we look at the strata too. We don't just look at the overall; we're looking at some of the strata. However the City of Manchester wants to improve those numbers, it's totally up to them. But I think that they really ought to have something...

Alderman Porter interjected but you don't need a reval or an update to do that. that can be part of the daily work and I think that this where I'm coming from with parts of this can be done with the compliment they have in the Assessors office at this time with the addition of Dave Cornell.

Mr. Hamilton stated Alderman Porter if I might answer that because this gets more to the assessing than the DRA. The underlying value of the land is under all of the improved properties as well, so conducting an analysis land values is not as simple as a small defined segment of properties that are improved and easily identified. I understand what you're saying, I just don't think it is as uncomplicated as that.

Mr. Tellier stated and last but not least, I think there's a general thought process going on here by members of the committee that this small portions of the City's assessment roles being fixed would satisfy the assessment review process, and that's not correct. we would have to reallocate and revalue all properties in new

and that's not something that the present staff has the ability to do. And I want to dispel that thought, because that's not accurate.

Alderman Lopez stated I've got one question for Mr. Petell. As you've heard tonight that we can do an in house reval. How many cities in the State of New Hampshire are doing their own in house reval?

Mr. Petell answered I can't answer that. You're talking cities?

Alderman Lopez answered yes.

Mr. Petell stated Concord is not doing their own. They have contracted out. I don't know what Nashua is doing.

Alderman Lopez asked could you find that out? is that information that you could give us? Because there's debate as to whether we can do an in house reval. I don't know, so I'm looking at you as an experienced person with the DRA that if people can do an in house reval why aren't more people doing.

Mr. Petell stated you're talking a full revaluation and with the sales, I think you've got somewhere between 3,000 qualified sales and you'd want to look at approximately 2 years of those to come up with some good base values. We're talking about 5,000 sales that would have to be checked. It's a big job.

Alderman Lopez stated and you just hit something on head here, because Steve Hamilton is saying that if we give him 2 more people, he can do an in house reval. Do you agree with that? I don't want to put you on the spot, I shouldn't do that.

Mr. Petell answered I'm not going to say yes or no. what I will say is that if I understand what they're requesting, I think they're looking for two people to go into the field and review those sales. So that certainly would put them in a lot better position, but then the analytical process would vary in detail, you could do that in house probably with existing staff. That certainly would put them in a better position.

On motion of Alderman Lopez, duly seconded by Alderman Osborne, it was voted to table this item.

Mr. Nichols stated I never once used the word whacked in the south end. If Mr. Porter asked me a question about the sales, I would have said yes they are selling drastically in the south end. I never used the word whacked.



Chairman Forest stated the real estate market in the City is way up there so I've seen neighbors and all of that.

Clerk Fysh asked what is it that you're tabling?

Alderman Lopez answered we're tabling the issue on the discussion on reval until we receive all of the information that's been requested by Alderman Porter.

Chairman Forest stated I've been advised earlier by the Clerk that we really don't have to table it, all we have to do we've asked for the other information, because this is strictly informational. So we're going to get the information at our next meeting and we don't have table because it's informational, we don't even have to do anything with it.

Clerk Thibault stated I believe Steve Hamilton said it would take 2 weeks to get the information back. Is that correct?

Mr. Hamilton replied approximately.

Clerk Thibault stated what we were going to have them do is forward it to the City Clerk's office, make copies and get it to everybody on the Board so you would have than information. But do you want them to come back this committee to...

Alderman Lopez answered yes. I think it should come back to this committee in case we have some questions. I thought that was the reason it was sent to this committee, to iron out problems before we go to the full Board. Now am I correct, or what?

Clerk Thibault asked so you want the information just to come back and be on the next agenda?

Chairman Forest asked do you also want the Assessors to come back?

Alderman Lopez answered absolutely. The Assessors are going to have to answer the questions. I don't need Mr. Petell.

Clerk Thibault stated this will show up on the next agenda for the 11<sup>th</sup> and will be listed as a tabled item. But it will be June that you'll be coming in with the information.

Mr. Petell stated I do not mind coming back.

Alderman Lopez stated Mr. Chairman I think what he's going to answer the questions that I think Steve sent to him in more detail. You are welcome, we might have a questions for you and if you're present that's fine.

There being no further business to come before the committee, on motion of Alderman Lopez, duly seconded by Alderman Osborne it was voted to adjourn.

A True Record. Attest.

Clerk of Committee